

R E P O R T

HERBERT WALLACE MEMORIAL  
VOLUNTEER FIRE COMPANY

DECEMBER 31, 2009 AND 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/26/10

HERBERT WALLACE MEMORIAL  
VOLUNTEER FIRE COMPANY

REPORT INDEX

DECEMBER 31, 2009 AND 2008

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	2
Statements of Activities .....	3
Statements of Functional Expenses .....	4 - 5
Statements of Cash Flows .....	6
Notes to Financial Statements.....	7 – 10
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	11 - 12
SCHEDULE OF CURRENT YEAR FINDINGS.....	13 - 14
STATUS OF PRIOR YEAR FINDINGS .....	15



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## INDEPENDENT AUDITOR'S REPORT

May 6, 2010

Board of Directors  
Herbert Wallace Memorial  
Volunteer Fire Company

We have audited the accompanying statements of financial position of Herbert Wallace Memorial Volunteer Fire Company (a Louisiana nonprofit corporation) as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Herbert Wallace Memorial Volunteer Fire Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Herbert Wallace Memorial Volunteer Fire Company as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6 2010 on our consideration of Herbert Wallace Memorial Volunteer Fire Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

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HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
 STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2009 AND 2008

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and cash equivalents (Note 1)	\$ <u>15,419</u>	\$ <u>26,009</u>
Total current assets	<u>15,419</u>	<u>26,009</u>
PROPERTY AND EQUIPMENT: (Note 1)		
Equipment	104,273	104,273
Furniture and fixtures	<u>21,381</u>	<u>19,973</u>
Total	125,654	124,246
Less: accumulated depreciation	<u>(103,520)</u>	<u>(93,783)</u>
Net property and equipment	<u>22,134</u>	<u>30,463</u>
TOTAL ASSETS	\$ <u><u>37,553</u></u>	\$ <u><u>56,472</u></u>

	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES:		
Accounts payable	\$ <u>2,979</u>	\$ <u>3,596</u>
Total current liabilities	<u>2,979</u>	<u>3,596</u>
Total liabilities	<u>2,979</u>	<u>3,596</u>
NET ASSETS:		
Unrestricted	<u>34,574</u>	<u>52,876</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>37,553</u></u>	\$ <u><u>56,472</u></u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
 STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
UNRESTRICTED NET ASSETS:		
Revenues: (Note 1)		
Jefferson Parish contract	\$ 504,000	\$ 552,000
FEMA proceeds (Note 9)	65,204	-
Jefferson Parish insurance rebate	15,153	14,821
Other revenue	<u>1,951</u>	<u>13,183</u>
Total revenue	<u>586,308</u>	<u>580,004</u>
EXPENSES:		
Firefighting (Pages 4 and 5)	514,807	490,799
Support services:		
Administrative and general (Pages 4 and 5)	<u>89,803</u>	<u>91,559</u>
Total expenses	<u>604,610</u>	<u>582,358</u>
DECREASE IN UNRESTRICTED NET ASSETS	(18,302)	(2,354)
Net assets - beginning of period	<u>52,876</u>	<u>55,230</u>
NET ASSETS - END OF PERIOD	\$ <u><u>34,574</u></u>	\$ <u><u>52,876</u></u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Firefighting</u>	<u>Administrative And General</u>	<u>Total</u>
EXPENSES: (Note 1)			
Auto repairs and upkeep	\$ 17,364	\$ -	\$ 17,364
Depreciation	9,736	-	9,736
Drinks and snacks	-	2,821	2,821
Dues and fees	-	170	170
Employee benefits	-	1,800	1,800
Flowers and gifts	-	42	42
Insurance	167,978	-	167,978
Meeting expenses	-	408	408
Miscellaneous	-	3,102	3,102
Office expense	-	1,716	1,716
Payroll service	6,191	-	6,191
Payroll taxes	21,943	2,438	24,381
Penalties and fines	-	194	194
Postage and meter	-	533	533
Professional services	-	9,371	9,371
Repairs - equipment, radios, trucks	13,871	-	13,871
Salaries	274,982	30,554	305,536
Socials	-	-	-
Station supplies	-	15,785	15,785
Telephone	-	2,514	2,514
Training and supplies	449	-	449
Uniforms	2,293	-	2,293
Utilities	-	18,355	18,355
	<u>-</u>	<u>18,355</u>	<u>18,355</u>
 TOTAL EXPENSES	 <u>\$ 514,807</u>	 <u>\$ 89,803</u>	 <u>\$ 604,610</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Firefighting</u>	<u>Administrative And General</u>	<u>Total</u>
EXPENSES: (Note 1)			
Auto repairs and upkeep	\$ 23,297	\$ -	\$ 23,297
Depreciation	20,969	-	20,969
Drinks and snacks	-	4,314	4,314
Dues and fees	-	389	389
Employee benefits	-	-	-
Flowers and gifts	-	225	225
Insurance	94,697	-	94,697
Meeting expenses	-	165	165
Miscellaneous	-	334	334
Office expense	-	2,568	2,568
Payroll service	3,414	-	3,414
Payroll taxes	24,846	2,760	27,606
Penalties and fines	-	-	-
Postage and meter	-	498	498
Professional services	-	11,481	11,481
Repairs - equipment, radios, trucks	12,451	-	12,451
Salaries	307,242	34,138	341,380
Socials	-	1,000	1,000
Station supplies	-	9,716	9,716
Telephone	-	2,519	2,519
Training and supplies	300	-	300
Uniforms	3,583	-	3,583
Utilities	-	21,452	21,452
	<u>-</u>	<u>21,452</u>	<u>21,452</u>
 TOTAL EXPENSES	 \$ <u>490,799</u>	 \$ <u>91,559</u>	 \$ <u>582,358</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
 STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (18,302)	\$ (2,354)
Adjustments to reconcile decrease in net assets to cash provided (used) by operating activities:		
Depreciation	9,736	20,969
Decrease in accounts receivable	-	-
Increase (decrease) in accounts payable	<u>(617)</u>	<u>2,248</u>
Net cash provided (used) by operating activities	<u>(9,183)</u>	<u>20,863</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of equipment	<u>(1,407)</u>	<u>(12,709)</u>
Net cash used in investing activities	<u>(1,407)</u>	<u>(12,709)</u>
 INCREASE (DECREASE) IN CASH	(10,590)	8,154
 Cash and cash equivalents at beginning of period	<u>26,009</u>	<u>17,855</u>
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 15,419</u>	<u>\$ 26,009</u>

See accompanying notes.



HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

ORGANIZATION:

Herbert Wallace Memorial Volunteer Fire Company (the fire company) began operating as a nonprofit corporation on March 17, 2003 to provide the citizens in the Seventh Fire Protection District with fire protection and related services. The fire company also responds to emergencies such as floods and hurricanes. The fire company is under a month-to-month contract with Jefferson Parish. The majority of the fire company's revenue was derived from this contract. The fire company operates one fire station and has eight paid employees and approximately ten volunteers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the fire company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Presentation:

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Financial statement presentation follows the recommendations of FASB ASC 958-225, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-225, the fire company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the fire company is required to present a statement of cash flows. At December 31, 2009 and 2008, the fire company had only unrestricted net assets.

The statement of activities presents expenses of the fire company's operations functionally between program services for firefighting and administrative and general. Those expenses which cannot be functionally categorized are allocated among functions based upon management's estimate of usage applicable to conducting those functions.

Contributions:

The fire company adopted FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Sources of Revenue:

Herbert Wallace Memorial Volunteer Fire Company is one of five contractual fire companies of the Seventh Fire District, Parish of Jefferson. The Seventh Fire District of the Parish of Jefferson levies an ad valorem tax on assessed property of the district. The sum of this collection is equally divided between the five contractual volunteer fire companies of the district on a monthly pro-rata basis. The monthly allocation to the fire company for 2009 and 2008 was \$42,000 and \$48,000, respectively.

The fire company also participates in a fire insurance tax rebate program with Jefferson Parish. Jefferson Parish receives a rebate on the State of Louisiana's two percent (2%) fire insurance tax collected by the Commissioner of Insurance. The State of Louisiana determines the amount to be received by each fire district based on total population served. Herbert Wallace Memorial Volunteer Fire Company shares equally in the amount received by the Seventh District with each of the other four fire companies. The insurance rebate received during 2009 and 2008 was \$15,153 and \$14,821, respectively.

Property and Equipment:

The fire company capitalizes purchases of assets with a cost of \$500 or more. Property and equipment consists of equipment and furniture and fixtures that are carried at historical cost. All assets are depreciated over their estimated useful lives on the straight-line basis. Depreciation expense for 2009 and 2008 was \$9,736 and \$20,969, respectively.

Cash and Cash Equivalents:

For the purposes of reporting of cash flows, the fire company considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents.

Deposits:

The fire company's bank deposits were fully covered by federal depository insurance and by securities pledged by the financial institution and held in the name of the fire company.

Donated Services:

Amounts have not been reflected in the financial statements for donated services because the value of these services was not readily determinable. However, a substantial number of volunteers have donated significant amounts of their time in the fire company's program services.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

2. INCOME TAXES:

The fire company is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a nonprofit organization and, accordingly, the financial statements do not reflect a provision for income taxes.

3. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. COMPENSATED ABSENCES:

During the year ended December 31, 2006, the fire company instituted a policy where no amounts for compensated absences are carried over to the subsequent year. If vacation time is not utilized by December 31 of each year, the time is forfeited. Due to this policy there is no liability for compensated absences as of December 31, 2009 and 2008.

5. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire company receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received varies based on years of service. As these supplemental state funds are paid directly to the firefighters, and do not pass through the fire company, they are not included in these financial statements.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS:

FASB ASC 825-10, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of the fair value of certain financial instruments. The book value of cash and cash equivalents, accounts receivable and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments.

7. ECONOMIC DEPENDENCY:

Substantially all of the Company's public support is derived from funds provided by Jefferson Parish. The Company has a contract with Jefferson Parish, effective June 1, 2004, under which the Company receives one-third of certain ad valorem taxes assessed within the Seventh Fire Protection District of Jefferson Parish, as well as additional funding from sales taxes and fire insurance rebates. Management is not aware of any plans on the part of Jefferson Parish to terminate the contract.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

8. USE OF ASSETS OWNED BY JEFFERSON PARISH:

The fire station and fire trucks are owned by Jefferson Parish. The fire company uses these assets as part of the contract with Jefferson Parish. All other equipment is owned by the fire company.

9. FEMA PROCEEDS:

During 2009, the fire company received FEMA proceeds in the amount of \$65,204 for equipment, damages and overtime wages.

10. LITIGATION:

The fire company is a defendant in a lawsuit that is being defended by their insurance company. The fire company does have insurance coverage for this claim. It is not possible to predict at this time the extent of the fire company's liability, if any.

11. FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

12. DATE OF MANAGEMENT'S REVIEW:

Subsequent events have been evaluated through May 6, 2010, which is the date the financial statements were available to be issued.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

May 6, 2010

To the Board of Directors  
Herbert Wallace Memorial  
Volunteer Fire Company

We have audited the financial statements of Herbert Wallace Memorial Volunteer Fire Company (a Louisiana nonprofit organization) as of and for the year ended December 31, 2009, and have issued our report thereon dated May 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Herbert Wallace Memorial Volunteer Fire Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Herbert Wallace Memorial Volunteer Fire Company's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Herbert Wallace Memorial Volunteer Fire Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 09-01 described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Herbert Wallace Memorial Volunteer Fire Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
SCHEDULE OF CURRENT YEAR FINDINGS  
DECEMBER 31, 2009

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion on the financial statements of Herbert Wallace Memorial Volunteer Fire Company for the year ended December 31, 2009 was unqualified.
2. Internal Control  
Material weakness: none noted  
Significant deficiencies: 09-01
3. Compliance and Other Matters  
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING  
STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

**09-01 Financial Statement Preparation**

Condition and Criteria

The Company does not have controls in place internally for proper oversight of its financial reporting and for preparation of financial statements and related footnotes. As is common in small organizations, the Company has chosen to engage the auditor to prepare the Company's annual financial statements. This condition is intentional by management, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Cause

Statement of Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
SCHEDULE OF CURRENT YEAR FINDINGS  
DECEMBER 31, 2009

**09-01** (Continued)

Management's Response

In response to the finding, management feels that it is a prudent use of public funds to engage the auditor to prepare the fire company's annual financial reports and related footnotes. We therefore agree with the auditor's recommendation that no corrective action is necessary.



HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2009

SUMMARY OF PRIOR YEAR FINDINGS:

**08-01 Financial Statement Preparation**

This finding is repeated in the current year as finding 09-01.